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**real.
time datapro Ltd.**

CanCorp

REAL TIME DATAPRO Ltd.
and Subsidiary Companies
Consolidated Statement of Earnings
For the Six Months Ended August 31, 1974

REPORT TO THE SHAREHOLDERS

I am pleased to present for your information the semi annual report of Real Time Datapro Ltd. for the period ended August 31, 1974.

This is the first report on our financial position since merging with the operations of Real Time Corporation effective April 1, 1974. Although only five months of Real Time business is included in the report the financial position of the Corporation is now very stable and I am indeed pleased to report a profit for this period. In view of the change in capital structure, the comparison on a per share basis to the previous period may be somewhat difficult but the turnaround is clear. I should draw particular attention to the increase in working capital as a prime indicator of our growth.

With highly qualified staff in short supply, our market concentration has been on packaged products and on offering new and better solutions in the use of the same. For instance, we are now offering a small communications terminal which will permit users of our Financial Management System to connect directly via telecommunications to our processing facility and the finished product will be available for delivery the very next day. New approaches are also planned for our municipal system which should give us a considerable advantage over our competitors. Our market potential is still very excellent and the results of solid marketing plans through a financially stable company are very much in evidence.

Unfortunately, this company cannot escape the general trends of rising wages and increased cost of supplies. In a very competitive industry such as ours, price rises to our customers have to be analyzed carefully in total market perspective and because of existing contractual commitments they may be slow to implement. The results of our first increase in two years should make a positive contribution to the second half year profits and we can look forward with confidence to a successful year.

G. E. Meinzer
President

REAL TIME DATAPRO Ltd.
and Subsidiary Companies
Consolidated Statement of Earnings
For the Six Months Ended August 31, 1974
(Unaudited)

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	<u>1974</u>	<u>1973</u>
REVENUE	<u>\$992,280</u>	<u>\$446,722</u>
EXPENSES		
Processing Selling and Administration	\$877,258	\$440,556
Depreciation Including Amortization of Leasehold Improvements	52,461	24,756
Amortization of Deferred Charges	15,456	34,261
Amortization of Goodwill	10,663	—
Interest Expense	13,275	11,976
	<u>\$969,113</u>	<u>\$511,549</u>
PROFIT (LOSS) BEFORE INCOME TAXES	23,167	(64,827)
Income Taxes	—	—
NET PROFIT (LOSS) FOR PERIOD	<u>23,167</u>	<u>\$(64,827)</u>
Common Shares — Issued and Fully Paid	2,329,155	463,655
Earnings (Loss) per Share	1.0¢	(13.5¢)

51%

23,167

11815

480

11352

	<u>1974</u>	<u>1973</u>
SOURCES OR WORKING CAPITAL		
Net Profit (Loss) for the Period	\$ 23,167	(\$ 64,827)
Add: Changes not requiring an outlay of funds in the Period:		
— Depreciation	52,461	24,756
— Amortization of Deferred Charges	15,456	34,261
— Amortization of Goodwill	10,663	—
Total provided from Operations	<u>\$ 101,747</u>	<u>(\$ 5,810)</u>
Net Increase in Working Capital Resulting from the Acquisition of Net Assets of Real Time Corporation Limited:		
Increase in Long Term Liabilities \$386,000		
Increase in Share Capital 933,000	\$1,319,000	
Less:		
Fixed Assets Acquired \$117,566		
Programmes Acquired 134,786		
Goodwill Acquired 1,023,534		
Acquisition Cost 10,000	1,285,886	
	<u>\$ 33,114</u>	<u>—</u>
Other Increases of Share Capital	\$ 5,000	—
	<u>\$ 139,861</u>	<u>(\$ 5,810)</u>
USE OF WORKING CAPITAL		
Purchase of Fixed Assets	\$ 445	—
Deferred Charges	—	\$ 11,883
Decrease in Long Term Debit	—	6,222
	<u>\$ 445</u>	<u>\$ 18,105</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 139,416</u>	<u>(\$ 12,295)</u>
WORKING CAPITAL — BEGINNING OF PERIOD	<u>(\$ 238,283)</u>	<u>(\$233,535)</u>
Increase (Decrease) in Working Capital	139,416	(12,295)
WORKING CAPITAL — END OF PERIOD	<u>(\$ 98,867)</u>	<u>(\$245,830)</u>

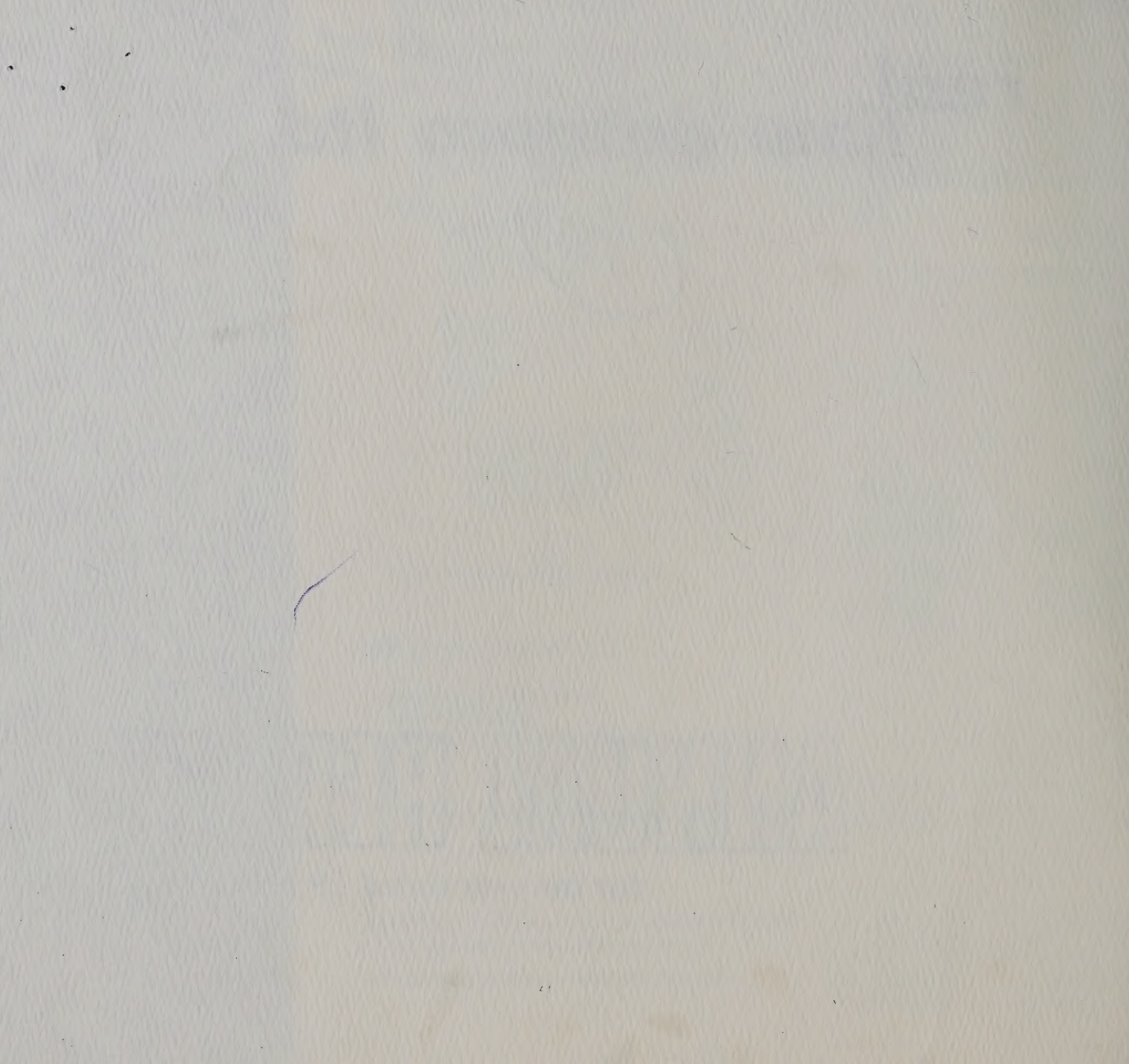
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ANNUAL REPORT

for the year ended 29 February 1976



REPORT TO THE SHAREHOLDERS

It is my pleasant duty to present my report on the consolidated operations of Real Time Datapro Ltd. for the fiscal year ending 29 February 1976.

General

This has been a year of major consolidation for Real Time Datapro. As reported to you previously, we have combined all computer operations and technical support into a single facility in our Toronto office. The result of such a move exceeded our anticipated savings and provided the turning point to profitable operations. From our offices located in Toronto and Montreal, we have been able to serve our major markets very well.

Our prime revenue source continues to be the general insurance industry. With nationally recognized capabilities for insurance companies as well as insurance agencies, we have concentrated in enhancing our services to this industry. In the course of the fiscal year we have introduced an intelligent terminal system for larger insurance agencies and have supplemented our insurance company package with a completely redesigned accounts receivable system. Both these innovative solutions for the insurance industry have further increased our leadership in this field.

Similar to the terminal system offered to the insurance industry we

have in the latter part of the fiscal year installed our first system in a municipal office. With this development we are now able to offer a complete municipal package giving local government both the advantage of immediate information access and batch processing, particularly during the peak processing periods for property taxes, at our data centre. Not only has this improved the package's potential for new municipalities, but has reduced the serious threat we started to encounter with mini computers.

Marketing to the accounting profession had only mixed success. While our T1 income tax services continue to enjoy high recognition, the Datapro Financial Management System has experienced a consistent revenue drop. Competitive services together with the lessening of write-up services by professional accountants will force us to continually evaluate our position in this changing market.

Our data entry facilities in addition to handling our own production requirements offer services to industry and government on a contract basis. During this past fiscal year this department has been expanded and we have contractual arrangements to be able to operate at maximum capacity for some time to come.

U.S. Operation

The United States operation has suffered rather severely through the economic recession there, particularly since the major portion of our revenue came from the automotive industry.

When the U.S. operation showed a continuing loss management concluded that our objective would be best served by concentration on an expanded Canadian market. Therefore, the decision was made to sell our U.S. based subsidiary company. Under the agreement, the change of ownership became effective December 1, 1975, by transferring assets and the operations for a consideration of cash and full settlement of intercompany accounts. That company will continue to locate in Dearborn, Michigan and is permitted to carry the name Datapro Corporation for a period of time, but is prevented from entering the Canadian market under our trade name. Although the decision to dispose of the U.S. operation had a small negative effect on our profit, this loss in the past fiscal year is non-recurring and our action has already proven to be a positive step toward future profitability.

Financial Highlights

Consolidated revenues show a decline from the previous year solely because results of the U.S. operations were not considered in the consolidation, since disposal of our wholly owned subsidiary, Datapro Corporation, took place prior to year end. Consolidated Canadian revenues rose from \$1,392,684. to \$1,762,008., an increase of 26.5%; corresponding operating expenses increased by 15.9%.

Operations before income taxes and extraordinary items produced a profit of \$43,641. (2.5% of revenue) as compared to a loss of \$86,230. in the

previous year. Net income for the year was \$11,022., resulting in per share earnings of \$.006.

Cash flow has continued to accelerate in a very positive manner resulting in an improvement of working capital of \$223,737. At the time of this report we are no longer in a position of working capital deficiency.

The statement of changes in financial position for the year reported shows considerable non cash expense. Since significant portions of deferred charges have been completely amortized and little new deferred charges are being added, it should result in a considerable increase in profit.

Our prime target for the fiscal year 1976/1977 is to decrease our debts thus diminishing our rather substantial interest expense.

The Outlook

Continuing emphasis on marketing in our prime specialty areas, insurance and municipalities should contribute to another year of significant revenue increase. Furthermore, our income tax package without having to face major changes because of budgetary measures should show wider acceptance by professional accountants. To date overall revenues are progressing slightly better than planned.

While we are not directly under the control of the anti-inflation program, we are doing our utmost to stay generally within the guidelines specified therein. Current progress would dictate only moderate price increases to our customers for 1977 unless

external influences beyond our control would compel us otherwise. Ontario Government policy to increase the amount of work contracted to the computer service industry should benefit us directly as one of their major suppliers.

The forthcoming revision of the Bank Act is of significant interest to this company. Banks have publicly stated that they wish to increase their offering of computer services and through our industry association, CADAPSO, this company has gone on record with the Minister of Finance in opposition to such extended bank entry. We hope we can be successful in our efforts to diminish bank influence in the computer service industry not only through appropriate government legislation, but by continuing to offer greater expertise and excellence of service to our customers.

To better serve an expanded customer base we have enlarged our facilities and are currently renovating our existing premises as part of our lease renewal. Included in our renovations is the construction of an entirely new tape library for greater security and confidentiality.

Other than expansion of telecommunications we have no plans to acquire additional hardware but will supplement our presently installed compute power through purchase of additional time from outside suppliers as required.

Our Staff

As in previous years the quality and competence of our staff has been a major contribution to our success. We have assembled a dedicated team of professionals and staff turnover has been extremely low. Without the support and commitment of our employees, our accomplishments would have been impossible. I am confident that with their continued above average efforts we can look forward to a further improvement in the profitability for 1976/1977.

G.E. MEINZER
PRESIDENT

30 June 1976

CONSOLIDATED BALANCE SHEET AS AT 29 FEBRUARY 1976

ASSETS

	<u>1976</u>	<u>1975</u>
Current		
Accounts receivable	\$ 410,337	\$ 413,949
Unbilled services, at the lower of cost and net realizable value	23,195	19,767
Inventory of supplies, at cost	21,767	39,112
Prepaid expenses	72,658	49,087
	<u>527,957</u>	<u>521,915</u>
Deferred Charges, (note 2)	85,808	178,879
Fixed, (note 3)	191,832	256,112
Goodwill, (note 4)	965,754	991,118
	<u>\$1,771,351</u>	<u>\$1,948,024</u>

Approved on behalf of the Board:

G.E. MEINZER

Director

F.G.W. BERLET

Director

LIABILITIES

	<u>1976</u>	<u>1975</u>
Current		
Bank indebtedness, (note 5)	\$ 152,805	\$ 292,403
Accounts payable	170,698	261,488
Due to principal shareholder, (note 6)	212,407	127,714
Current portion of long term debt	—	72,000
	535,910	753,605
Long Term Debt, (note 7)	302,000	272,000
	837,910	1,025,605

SHAREHOLDERS' EQUITY

Share Capital		
Authorized		
5,000,000 Common shares without par value, aggregate consideration not to exceed \$5,000,000		
Issued		
2,329,155 Shares	1,762,835	1,762,835
Deficit	829,394	840,416
	933,441	922,419
	\$1,771,351	\$1,948,024

SIGNIFICANT ACCOUNTING POLICIES, note 1
 INCOME TAXES, note 8
 LEASE COMMITMENTS, note 9
 EARNINGS (LOSS) PER SHARE, note 10

STATUTORY INFORMATION, note 11
 CONTINGENT LIABILITY, note 12
 COMPARATIVE FIGURES, note 13

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CONSOLIDATED STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED 29 FEBRUARY 1976

	<u>1976</u>	<u>1975</u>
Revenue, (note 1)	<u>\$1,762,008</u>	<u>\$2,077,966</u>
Expenses, (note 1)		
Processing, selling and administrative	1,474,900	1,907,996
Depreciation and amortization of fixed assets	48,111	59,183
Amortization of: deferred charges	115,071	124,181
goodwill	25,364	23,457
Interest expense (including long term 1976 - \$33,936; 1975 - \$20,133)	54,921	49,379
	<u>1,718,367</u>	<u>2,164,196</u>
Income (Loss) Before Income Taxes And Extraordinary Items	43,641	(86,230)
Income Taxes	<u>21,500</u>	<u>—</u>
Income (Loss) Before Extraordinary Items	<u>22,141</u> 0.9¢	<u>(86,230)</u> (3.8¢)
Extraordinary items		
Realization of income tax reduction by application of prior period losses	21,500	—
Loss on disposal of subsidiary company	(32,619)	—
Reorganization expenses	—	(23,090)
	<u>(11,119)</u>	<u>(23,090)</u>
Net Income (Loss) For the Year	<u>11,022</u> 0.47¢	(109,320) (4.7¢)
Deficit, beginning of year	<u>840,416</u>	<u>731,096</u>
Deficit, End of Year	<u>\$ 829,394</u>	<u>\$ 840,416</u>

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 29 FEBRUARY 1976**

	<u>1976</u>	<u>1975</u>
Source of Funds		
Net income (loss) for the year	\$ 11,022	(\$ 109,320)
Items not involving funds		
Depreciation and amortization of fixed assets	48,111	59,183
Amortization of: deferred charges	115,071	124,181
goodwill	25,364	23,457
	<u>199,568</u>	<u>97,501</u>
 Reduction in fixed assets on sale of subsidiary	 45,751	 —
Issue of common shares under purchase agreement	—	902,500
First floating charge debenture	—	302,000
Long term debt assumed under purchase agreement	—	84,000
	<u>45,751</u>	<u>1,288,500</u>
Assets purchased — fixed	—	(117,566)
— goodwill	—	(1,014,575)
— deferred charges	—	(134,787)
	<u>45,751</u>	<u>21,572</u>
Issue of common shares — in lieu of management fees	—	1,000
— other	—	25,000
	<u>245,319</u>	<u>145,073</u>
 Application of Funds		
Purchase of fixed assets	29,582	10,777
Deferred charges	22,000	13,703
Decrease (reclassification) in long term debt	(30,000)	114,000
	<u>21,582</u>	<u>138,480</u>
 Decrease in Working Capital Deficiency	 223,737	 6,593
Working capital deficiency, beginning of year	<u>231,690</u>	<u>238,283</u>
Working Capital Deficiency, End of Year	<u>\$ 7,953</u>	<u>\$ 231,690</u>
 Working Capital Deficiency		
Current assets	\$527,957	\$ 521,915
Current liabilities	<u>535,910</u>	<u>753,605</u>
	<u>\$ 7,953</u>	<u>\$ 231,690</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 1976

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Datapro (E.D.P.I.) Limited.

Datapro Corporation, formerly a wholly-owned subsidiary, was disposed of during the year. Its operating loss from 1 March 1975 to 30 November 1975 amounting to approximately \$44,000 has been excluded from the current year's revenue and expenses.

Other accounting policies are disclosed in notes, 2, 3, 4 and 8.

2. DEFERRED CHARGES

Expenses incurred in the development of package programmes are amortized on a straight line basis over five years from the date such programmes are in operation and will be fully amortized in the event they are no longer marketable.

3. FIXED ASSETS

	<u>1976</u>		<u>1975</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and fixtures	\$104,863	\$ 54,189	\$111,931	\$ 47,905
Processing equipment	361,101	268,203	422,137	290,273
Magnetic tapes	27,723	13,378	17,232	8,169
Automotive equipment	8,860	2,658	3,416	—
Leasehold improvements	41,100	13,387	63,107	15,364
	<u>543,647</u>	<u>351,815</u>	<u>617,823</u>	<u>361,711</u>
Cost less accumulated depreciation	<u>\$191,832</u>		<u>\$256,112</u>	

Depreciation is provided as follows:

Furniture and fixtures — 20% diminishing balance basis

Processing equipment — 20% diminishing balance basis

Magnetic tapes — 20% straight line basis

Automotive equipment — 30% diminishing balance basis

Leasehold improvements — straight line basis over term of lease

4. GOODWILL

	<u>1976</u>	<u>1975</u>
Purchased from Real Time Corporation Limited	\$1,014,575	\$1,014,575
Accumulated amortization	48,821	23,457
	<u>\$ 965,754</u>	<u>\$ 991,118</u>

Goodwill is amortized on a straight line basis over 40 years from date of purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 1976

5. BANK INDEBTEDNESS

Bank indebtedness is secured as follows:

General assignment of accounts receivable;

Registered chattel mortgage on processing equipment to a limit of \$200,000.

Fire insurance subscription policy;

Registered chattel mortgage on automotive equipment.

The company has agreed to repay \$98,000 of the bank indebtedness in quarterly instalments of \$12,000.

6. DUE TO PRINCIPAL SHAREHOLDER

Tormon Assembly Agency Limited

	<u>1976</u>	<u>1975</u>
Computer rental	\$158,338	\$107,581
Interest on debenture	<u>54,069</u>	<u>20,133</u>
	<u>\$212,407</u>	<u>\$127,714</u>

7. LONG TERM DEBT

Debenture payable to principal shareholder

Tormon Assembly Agency Limited,

10% repayable as follows:

— \$30,000 past due

— \$10,000 March 1976

— \$17,500 quarterly from June 1976

— balance due March 1979

Chattel mortgage, repayable without interest, matured 1976

Current portion

	<u>1976</u>	<u>1975</u>
	\$302,000	\$302,000
	<u>—</u>	<u>42,000</u>
	302,000	344,000
	<u>—</u>	<u>72,000</u>
	<u>\$302,000</u>	<u>\$272,000</u>

8. INCOME TAXES

Depreciation expense has been recorded in the accounts in excess of amounts claimed for income tax purposes in the amount of approximately \$384,000, giving rise to a potential reduction of income taxes payable in future years, of approximately \$190,000. The company and its subsidiary also have losses to carry forward for tax purposes totalling approximately \$234,000 giving rise to a potential reduction of income taxes payable in future years of approximately \$110,000 provided such income is earned not later than the years ending 28 February:

1977	\$ 44,500
1978	25,500
1979	146,000
1980	<u>18,000</u>
	<u>\$234,000</u>

The potential tax reduction totalling approximately \$300,000 has not been recorded in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 29 FEBRUARY 1976

9. LEASE COMMITMENTS

Commitments for premises under lease agreements which extend beyond one year, require annual payments as follows:

(a) Toronto: to November 1976, \$49,236 plus maintenance, taxes and utilities

(b) Montreal: to October 1978, \$5,082

The company is the lessee of computer equipment from its principal shareholder at an annual rental of \$89,032 to 1979, at the end of which period it has an option to purchase the equipment for \$45,555.

10. EARNINGS (LOSS) PER SHARE

	<u>1976</u>	<u>1975</u>
Common shares — issued	2,329,155	2,329,155
Earnings (loss) per share — basic		
Earnings (Loss) before extraordinary item	0.9	(3.8)
Earnings (Loss) for the year	0.6	(5.0)

11. STATUTORY INFORMATION

The aggregate direct remuneration paid by the company and its subsidiary to the five highest paid employees, including directors and senior officers, was \$143,713 (1975 — \$121,652). No remuneration was paid to directors, as such.

In addition a senior officer has an option to purchase 15,000 shares of the company to June 1978 at \$1.00 per share.

12. CONTINGENT LIABILITY

The company is guarantor of a note of a third party to a bank in the amount of \$20,000.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current presentation.

AUDITORS' REPORT

TO THE SHAREHOLDERS

REAL TIME DATAPRO LTD.

We have examined the consolidated balance sheet of Real Time Datapro Ltd. and its subsidiary as at 29 February 1976 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at 29 February 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
19 April 1976

Dunwoody & Company

CHARTERED ACCOUNTANTS

Directors

G.A. Demeyere
Chairman
F.G.W. Berlet
G.C. Gray
G.E. Meinzer
R.A. Reddoch

Legal Counsel

Hughes, Amys
Barristers & Solicitors

Auditors

Dunwoody & Company
Chartered Accountants

Officers

Gerry E. Meinzer
President
Norman E. Anderson
Vice-President
Robert G. McLeod, C.A.
Secretary-Treasurer

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